



Department of the Treasury  
Internal Revenue Service  
Tax Exempt and Government Entities  
PO Box 2508  
Cincinnati, OH 45201

Date:  
01/08/2025  
Employer ID number:

Person to contact:

Release Number: 202514010  
Release Date: 4/4/2025  
UIL Code: 501.07-00

Dear :

This letter is our final determination that you don't qualify for exemption from federal income tax under Internal Revenue Code (IRC) Section 501(a) as an organization described in IRC Section 501(c)(7). Recently, we sent you a proposed adverse determination in response to your application. The proposed adverse determination explained the facts, law, and basis for our conclusion, and it gave you 30 days to file a protest. Because we didn't receive a protest within the required 30 days, the proposed determination is now final.

You must file the federal income tax forms for the tax years shown above within **30 days** from the date of this letter unless you request an extension of time to file. For further instructions, forms, and information, visit [www.irs.gov](http://www.irs.gov).

We'll make this final adverse determination letter and the proposed adverse determination letter available for public inspection after deleting certain identifying information, as required by IRC Section 6110. Read the enclosed Letter 437, Notice of Intention to Disclose - Rulings, and review the two attached letters that show our proposed deletions. If you disagree with our proposed deletions, follow the instructions in the Letter 437 on how to notify us. If you agree with our deletions, you don't need to take any further action.

If you have questions about this letter, you can call the contact person shown above. If you have questions about your federal income tax status and responsibilities, call our customer service number at 800-829-1040 (TTY 800-829-4933 for deaf or hard of hearing) or customer service for businesses at 800-829-4933.

Sincerely,

Stephen A. Martin  
Director, Exempt Organizations  
Rulings and Agreements

Enclosures:  
Letter 437  
Redacted Letter 4034  
Letter 4038



Department of the Treasury  
Internal Revenue Service  
PO Box 2508  
Cincinnati, OH 45201

Date: 10/31/2024

Employer ID number:

Person to contact:

Name:

ID number:

Telephone:

Fax:

**Legend:**

B = State

C = Date

D = Company

E = Product

F = Date

UIL:

501.07-00

Dear \_\_\_\_\_ :

We considered your application for recognition of exemption from federal income tax under Internal Revenue Code (IRC) Section 501(a). We determined that you don't qualify for exemption under IRC Section 501(c)(7). This letter explains the reasons for our conclusion. Please keep it for your records.

**Issues**

Do you qualify for exemption under IRC Section 501(c)(7)? No, for the reasons stated below.

**Facts**

You were incorporated in the State of B on C. Your articles state your purpose is to raise funds to organize and sponsor activities that encourage D to resume production of E, which was discontinued in F. Your activities and events include:

- Outreach campaigns to encourage the public to voice their demand for the return of E through emails, letters, and phone calls directed at D, its bottlers, and retail establishments.
- An online petition to collect signatures to demonstrate the widespread public demand for E.
- Billboard placement near D's headquarters to encourage E to resume production of D.

Your events and activities are primarily advertised to the public through your website and social media channels. You have no physical location for your organization or regular facilities where you host events and activities; thus, your operations are conducted solely through the Internet, except for a one-time event held at D's headquarters to demonstrate the public's demand for E.

You have a committee that holds weekly meetings through Zoom. Your website includes a submission form that anyone may fill out to express interest in joining your committee or participating in weekly meetings.

Letter 4034 (Rev. 01-2021)  
Catalog Number 47628K

Otherwise, there are no requirements or qualifications to join your organization or participate in your activities or events. Anyone may join or participate who supports your cause. Accordingly, you have no classes of membership, and your bylaws do not provide for any membership privileges, benefits, or voting rights.

You solicit donations from the public on your website. Your revenues were reported as membership fees, but you did not provide an explanation as to the purpose for, or structure of, the fees, such as the amounts, due dates, etc. Your expenses were reported as distributions for the benefit of your members and included costs associated with the purchase of billboards, website maintenance, and press releases.

### **Law**

IRC Section 501(c)(7) provides for exemption of clubs organized for pleasure, recreation, and other nonprofitable purposes, substantially all the activities of which are for such purposes, and no part of the net earnings of which inure to the benefit of any private shareholder.

Treasury Regulation Section 1.501(c)(7)-1(a) states that exemption provided under IRC Section 501(c)(7) applies only to clubs organized and operated exclusively for pleasure, recreation, and other non-profitable purposes, but does not apply to any club if any part of the earnings inure to the benefit of any private shareholder. In general, this exemption extends to social and recreational clubs supported solely by membership fees, dues, or assessments.

Revenue Ruling 55-716, 1955-2 C.B. 263, holds that an organization formed to furnish television antenna service to its members is not entitled to exemption from federal income tax under IRC Section 501(c)(7). The term "club," as used within Section 501(c)(7), contemplates the commingling of members, one with the other, in fellowship. Personal contacts and fellowship must play a material part in the life of an organization for it to come within the meaning of the term "club."

Rev. Rul. 58-588, 1958-2 C.B. 265, holds that an organization formed to operate a health, recreational, and social club was not exempt under IRC Section 501(c)(7) as it sold its services for profit to an unlimited number of so-called 'members,' who have no voice in the management of the club and whose only rights are to use the club's facilities upon payment of specified fees. The ruling notes that a club may identify certain individuals as members who do not qualify as true members. Such membership was merely a guise under which virtually unlimited numbers of individuals may utilize the club's facilities. As a result, the organization's income amounted to merely transactions with the general public.

Rev. Rul. 58-589, 1958-2 C.B. 266, sets forth the criteria for whether an organization qualifies for exemption under IRC Section 501(c)(7), and provides that all facts pertaining to the organization's form, method of operation, and activities should be considered. The organization must establish that (1) it is a club organized and operated exclusively for pleasure, recreation, or other non-profitable purposes and (2) no part of its net earnings inures to the benefit of any private shareholder or individual. To be deemed a club, there must be an established membership of individuals, personal contacts, and fellowship. A commingling of the members must play a material part in the life of the organization.

Rev. Rul. 70-32, 1970-1 C.B. 132, holds that a flying club, providing economical flying facilities for its members but having no organized social and recreation program, does not qualify for exemption under IRC Section 501(c)(7). In this case, the sole activity of the club involved the ownership, operation, and maintenance of the aircraft for use by its members, and there was little commingling among members for social or

recreational purposes. For the club to be exempt, the ruling explains that there must be an established membership of individuals, personal contacts, and fellowship. Also, commingling of members must play a material part in the organization's activities. Since this organization's sole activities consisted of rendering flying services to its members, and there was no significant commingling of its members, exemption was denied.

### **Application of law**

IRC Section 501(c)(7) and Treas. Reg. Section 1.501(c)(7)-1(a) provide for exemption of clubs organized and operated for pleasure, recreation, and other non-profitable purposes, substantially all the activities of which are for such purposes. There must be an established membership of individuals whose common objective is directed towards such purposes. The commingling of members actively working towards that objective must also play a substantial part in the existence of the club. You fail to meet these requirements as described below.

You created an Internet campaign to advocate for the return of a discontinued product to the consumer market; accordingly, you solicit donations from the public and encourage anyone who supports your cause to participate in your activities and events. To qualify for exemption, however, you refer to these donors and supporters as your members, thereby allowing you to classify their donations as membership fees, as well as classify any expenses that further your cause as disbursements for your members' benefit.

Accordingly, you fail to meet the requirements for exemption as a club described in Revenue Ruling 58-589. You do not have an established membership of individuals because you have no membership requirements or qualifications and do not provide for any member-exclusive rights, privileges, or benefits in your bylaws or elsewhere. Anyone who supports your cause is encouraged to participate in your activities and events; therefore, your members, for all intents and purposes, are your donors and supporters, which is a potentially limitless category of persons and defeats the very meaning of membership defined under IRC Section 501(c)(7).

You also fail to provide, as a substantial part of your operations, the opportunity for personal contacts, fellowship, and commingling as described in Rev. Rul. 58-589. Even if you had an established membership, your activities and events are conducted through the Internet, and your one-time event at D's headquarters does not constitute a substantial part of your operations. Accordingly, you have no physical location for your organization or regular facilities where you host events and activities, similar to the organizations denied exemption in Rev. Rul. 55-716 and Rev. Rul. 70-32.

You are also similar to the organization denied exemption in Rev. Rul. 58-588, since you have no membership requirements and, therefore, the potential for an unlimited number of members, which does not represent a bona fide membership. Your committee sets the direction for your Internet campaign, and while you allow individuals to express interest in joining your committee, you do not provide an entire body of members with voting rights or other privileges to affect your committee's direction in any meaningful way. In addition, your failure to show an established membership means your gross revenues are better classified as public donations and not membership fees, dues, or assessments, precluding exemption under IRC Section 501(c)(7) per Treas. Reg. Sec. 1.501(c)(7)-1(a).

### **Conclusion**

Based on the information above, you do not qualify for exemption under IRC Section 501(c)(7). You provide Internet-based content for entertainment purposes to raise funds and advocate for the return of E to the consumer market. You do not operate as a fan club for E. You have no bona fide members, but even so, you do

not provide for commingling of club members because you have no facilities or regular events. Therefore, you do not meet the requirements for exemption.

**If you agree**

If you agree with our proposed adverse determination, you don't need to do anything. If we don't hear from you within 30 days, we'll issue a final adverse determination letter. That letter will provide information on your income tax filing requirements.

**If you don't agree**

You have a right to protest if you don't agree with our proposed adverse determination. To do so, send us a protest within 30 days of the date of this letter. You must include:

- Your name, address, employer identification number (EIN), and a daytime phone number
- A statement of the facts, law, and arguments supporting your position
- A statement indicating whether you are requesting an Appeals Office conference
- The signature of an officer, director, trustee, or other official who is authorized to sign for the organization or your authorized representative
- The following declaration:

**For an officer, director, trustee, or other official who is authorized to sign for the organization:**  
Under penalties of perjury, I declare that I have examined this request, or this modification to the request, including accompanying documents, and to the best of my knowledge and belief, the request or the modification contains all relevant facts relating to the request, and such facts are true, correct, and complete.

Your representative (attorney, certified public accountant, or other individual enrolled to practice before the IRS) must file a Form 2848, Power of Attorney and Declaration of Representative, with us if they haven't already done so. You can find more information about representation in Publication 947, Practice Before the IRS and Power of Attorney.

We'll review your protest statement and decide if you gave us a basis to reconsider our determination. If so, we'll continue to process your case considering the information you provided. If you haven't given us a basis for reconsideration, we'll send your case to the Appeals Office and notify you. You can find more information in Publication 892, How to Appeal an IRS Determination on Tax-Exempt Status.

If you don't file a protest within 30 days, you can't seek a declaratory judgment in court later because the law requires that you use the IRC administrative process first (IRC Section 7428(b)(2)).

**Where to send your protest**

Send your protest, Form 2848, if applicable, and any supporting documents to the applicable address:

U.S. mail:

Internal Revenue Service  
EO Determinations Quality Assurance  
Mail Stop 6403  
PO Box 2508  
Cincinnati, OH 45201

Street address for delivery service:

Internal Revenue Service  
EO Determinations Quality Assurance  
550 Main Street, Mail Stop 6403  
Cincinnati, OH 45202

You can also fax your protest and supporting documents to the fax number listed at the top of this letter. If you fax your statement, please contact the person listed at the top of this letter to confirm that they received it.

You can get the forms and publications mentioned in this letter by visiting our website at [www.irs.gov/forms-pubs](http://www.irs.gov/forms-pubs) or by calling 800-TAX-FORM (800-829-3676). If you have questions, you can contact the person listed at the top of this letter.

**Contacting the Taxpayer Advocate Service**

The Taxpayer Advocate Service (TAS) is an independent organization within the IRS that can help protect your taxpayer rights. TAS can offer you help if your tax problem is causing a hardship, or if you've tried but haven't been able to resolve your problem with the IRS. If you qualify for TAS assistance, which is always free, TAS will do everything possible to help you. Visit [www.taxpayeradvocate.irs.gov](http://www.taxpayeradvocate.irs.gov) or call 877-777-4778.

Sincerely,

Stephen A. Martin  
Director, Exempt Organizations  
Rulings and Agreements